



CITY OF ST. LOUIS

OFFICE OF THE SHERIFF

**GARNISHMENTS AND RELEASES FEES
REVENUE REVIEW**

JULY 1, 2011 THROUGH SEPTEMBER 30, 2012

PROJECT # 2013-RRV02

DATE ISSUED: August 21, 2013

**Prepared by:
The Internal Audit Section**

OFFICE OF THE COMPTROLLER
HONORABLE DARLENE GREEN, COMPTROLLER



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Internal Audit Executive

FILE COPY

August 21, 2013

Honorable James W. Murphy, Sheriff
City of St. Louis
1114 Market Street, Suite 112
St. Louis, MO 63101

RE: Garnishments and Releases Fees Revenue Review (Project 2013-RRV02)

Dear Sheriff Murphy:

Enclosed is Internal Audit Section's report on the revenue review of Garnishments and Releases Fees collected by the Sheriff's Office from July 1, 2011 through September 30, 2012.

Fieldwork was completed on May 31, 2013. Management's responses to the observations and recommendations noted in the report were received on August 2, 2013, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA, CMA
Internal Audit Executive

Enclosure

cc: Captain Raymond Harris, Commander of Administration - Civil Courts

**CITY OF ST. LOUIS
SHERIFF'S OFFICE
GARNISHMENTS AND RELEASES FEES REVENUE REVIEW
JULY 1, 2011 THROUGH SEPTEMBER 30, 2012**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of the Sheriff's Office Garnishments and Releases Fees revenue for the period July 1, 2011 through September 30, 2012,

The objectives were to determine if:

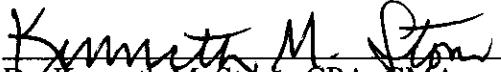
- All revenues for Garnishments and Releases Fees collected were accurately recorded and reported on a monthly basis.
- Revenues were properly classified and adequately described.
- Adequate policies and procedures for the revenue-related activities existed, and were properly applied on a consistent basis.
- Revenues collected were remitted to the City Treasurer's Office on a monthly basis.
- All other applicable legal guidelines (City ordinances, State Statutes, etc.) were followed.

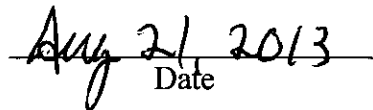
Conclusion

The opportunity exists for the Sheriff's Office to improve internal controls over policies and procedures for the revenue-related activities. The following are observations resulting from the review:

1. Opportunity to improve daily cash receipts accounting controls
2. Opportunity to improve documentation of internal control procedures

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.


Dr. Kenneth M. Stone, CPA, CMA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
SHERIFF'S OFFICE
GARNISHMENTS AND RELEASES FEES REVENUE REVIEW
JULY 1, 2011 THROUGH SEPTEMBER 30, 2012**

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INTRODUCTION

Background

The Office of the Sheriff is responsible for performing service (delivery) within the City of St. Louis, of garnishment orders and writs of sequestration (garnishments against wages of public employees), to the employers or other parties holding assets belonging to the defendants subject to those court orders. The orders are received from the Circuit Court in the City or various courts outside of the City, and may result from judgments obtained in suits filed by companies, individuals, or governmental entities (e.g., for collection of delinquent taxes). Orders for the collection of child support payments are not included.

The service function on garnishments to private employers is performed by deputies in the Operations Section of the Sheriff's Office, while the office's Administrative Section serves writs of sequestration and performs supporting functions, such as:

- Initial receipt and recording of the court orders, including orders of release from prior garnishment.
- Preparation and distribution of the copies to be served by the outside service deputies.
- Receipt, recording, deposit, and reporting of the fees charged for service.
- Maintaining a computerized tracking system on the status of orders received for service, and permanent files on service performed in prior periods.

Scope and Methodology

The review was confined to evaluating the procedures for revenues from fees for garnishments and releases for the period of July 1, 2011 through September 30, 2012. The procedures included inquiries of management and staff, observation of relevant processes, and reviews for compliance with policies and procedures, as well as applicable laws and regulations. The related controls were tested on a limited basis, prior audit observations were followed up, and other procedures were performed as considered necessary.

Exit Conference

An exit conference was conducted at the Sheriff's Office on July 16, 2013. The Commander of Administration - Civil Courts and the Supervising Lieutenant of Administration - Civil Courts represented the Sheriff's Office. The Internal Audit Supervisor and the Auditor-in-Charge represented the Internal Audit Section.

Management's Responses

Management's responses to the observations and recommendations identified in this report were received from the Sheriff's Office on August 2, 2013. Those responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

The Internal Audit Section (IAS) followed up on two observations included in the report issued December 15, 2009.

The status of each observation is as follows:

1. Opportunity to update written policies and procedures (**Resolved**)
2. Opportunity to improve recordkeeping efficiency through automation (**Resolved**)

Summary of Current Observations

Several positive control procedures were noted in the Sheriff's Office's revenue-related fiscal activities. These included, but were not limited to the following:

- Requests for service of garnishment orders had to be paid for in advance.
- Only the Cashier or the relief Cashier was allowed to handle cash for most types of transactions, including the collection of garnishment fees. A customer paying by cash was issued a pre-numbered cash receipt from a book in which a duplicate of the receipt was maintained.
- Monthly reconciliations of the Sheriff's Office depository bank account were performed by a Deputy Sheriff who was independent of the cash receipt process.

The opportunity exists, however, for the Sheriff's Office to make additional improvements. The following observations have resulted from our review:

1. Opportunity to improve daily cash receipts accounting controls
2. Opportunity to improve documentation of internal control procedures

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Improve Daily Cash Receipts Accounting Controls

Tests were performed on a sample of the Sheriff's Office's daily Garnishments and Releases Fees entries into their Cash Receipts Ledger (CRL) system. Entries were compared to cash receipt source records and traced to the City's General Ledger. The results indicated an opportunity to improve the effectiveness of controls over the cash receipts accounting process.

The sample, consisting of systematically selected business days, covered approximately 10% of the review period. For slightly over 25% of the tested dates, differences that were not readily reconcilable were noted between:

- the calculated General Revenue Fund portion of total Garnishment and Release Fees charged per the source records reviewed, and
- entries of Garnishments and Releases Fees into the CRL system.

The net dollar variance for the noted exceptions was \$2,262 in CRL system entries above the calculated General Revenue Fund amounts. (The variance was approximately 6% of the \$38,158 total value of recorded Garnishment and Releases Fees included in the sample.)

The daily records of court orders and fees prepared by the Garnishment Section clerks and submitted to the Cashier/ bookkeeper for balancing, bank deposit preparation, and ledger entry consist of the following items:

- For "foreign" garnishment orders (originating from a court located outside the City of St. Louis); daily reports listing and summarizing the processing clerks' initial entries into the Sheriff's Tracking System (STS).
- For orders originating from the Circuit Court in the City of St. Louis (and initially entered into the State of Missouri Justice Information System [JIS] by the Circuit Clerk's Office); Excel log sheets prepared by the Sheriff's Office's clerks, listing the orders and the applicable fee payments received.

In accordance with Missouri Revised Statutes (RSMo.) Section # 57.278, an additional fee of \$10.00 is charged for each court order served by Missouri deputy sheriffs. The proceeds from the added fees should be:

- separately accounted for by the Sheriff's Cashier/accounting office, and
- monthly transferred into a special fund account, the Deputy Sheriff's Salary Supplementation Fund (DSSSF), through the City Treasurer's Office.

Responses to follow-up inquiries indicated the following possible reasons for the unresolved differences:

1. Continued ...

- Errors in the fee classification of receipts, or subsequent distribution of revenue to the DSSSF special fund, which is based on the number of court orders accepted for service.
- Unavailability of some records needed for the auditor's tests of agreement between source records and the Cashier's CRL records (possibly of spreadsheet logs listing orders and service fees accepted for plaintiffs located within the City).

Under or overstatement errors in the revenue distribution would increase the risk of failure to comply with the applicable State statute and/or City General Revenue reporting requirements.

Recommendation

We recommend the Sheriff's Office add the following activity to enhance internal control over its cash receipts recording procedures for Garnishments and Releases Fees:

Have a manager or supervisor periodically compare a selected day's expected general revenue (net of DSSSF) for garnishment orders and release orders received to the total of Garnishments and Releases Fees entry to the office's Cash Receipts ledger system for that business day. The reviewer should sign and date the copy of the selected day's Cashier's Report to document performance of the comparative review

Management's Response

We have historically had our supervisors periodically check the work sheets generated by cashier's office as well as the work sheets produced by the individual deputies for errors and omissions. Also in accordance with our meeting we will sign and date the sheets that we (the supervisors) inspect for future reference.

2 Opportunity To Improve Documentation Of Internal Control Procedures

The completed bank reconciliation documents reviewed during our field work did not contain the signature or other positive identification of the preparer, or evidence of review by a supervisor. Sound internal control practices include having monthly bank reconciliations performed by someone who does not receive or disburse cash from the subject bank account.

Per discussion with Sheriff's Office management, the responsibility for monthly bank reconciliations was assigned to the Deputy Sheriff who performs the tax delinquent land sales function. It was determined through subsequent inquiry that the assigned deputy had not been instructed to sign and date the completed bank reconciliations.

If the preparer of bank reconciliations is not positively identified, there is no documented assurance that the intended internal control activity is adequately segregated, i.e., being performed by someone independent of the cash receipt and disbursement functions.

2. Continued ...

Recommendation

We recommend each monthly bank reconciliation be documented with the name of the person who performed it, along with the date of its preparation, and be signed by a supervisor.

Management's Response

The person who performs the monthly bank reconciliation will also sign and date their work. Our supervisors will randomly inspect the bank reconciliations for completeness, and will also sign and date the reconciliations to document their review.